

ESTILL COUNTY PUBLIC LIBRARY
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Estill County Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Estill County Public Library, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Estill County Public Library, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of the Estill County Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Estill County Public Library's internal control over financial reporting and compliance.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
October 12, 2017

ESTILL COUNTY PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Estill County Public Library's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2017. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.

Financial Highlights

- I. The Library spent approximately 11% of its tax revenues on Library Materials.*
- II. The Library's share of the property tax decreased 2% from the previous fiscal year.*
- III. The Library continues to spend on improved equipment and improved services.*

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

Over the past years, the primary focus of local government financial statements has been summarized fund-type information on a current financial resource basis. This approach has been modified and now the Library's financial statements present two kinds of statements, each with a different snapshot of the Library's finances. The new focus is both the Library as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Library's accountability.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Library's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Library and the changes in them. One can think of the Library's net position – the difference between assets and liabilities – as a way to measure the Library's financial position. Over time, increases or decreases in the Library's net position is one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we look at the Library's overall activity.

Governmental activities – most of the Library's basic services are reported here. Property taxes, grants, and other income finance most of these activities.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library's funds. The fund financial statements provide more information about the Library's funds and current year details of operations and not the Library as a whole.

Fund Financial Statements (Continued)

The Library's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Library as a Whole

Below is an analysis of the comparative statement of net assets for the years ending June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 446,855	\$ 278,674	\$ 168,181
Other assets	1,821,628	1,805,269	16,359
Long-term liabilities	15,892	14,586	1,306
Current liabilities	12,564	2,429	10,135
Invested in fixed assets	446,855	278,674	168,181
Unrestricted net assets	1,793,172	1,788,254	4,918

The Library's main source of revenue is property tax, which is approximately 93% of the Library's total revenue. Other income sources included donations, state aid, and fines and fees. The personnel expense represents 43% of total expenditures, well below the state average of 63%. Personnel expenditures decreased about 3% from the previous year.

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Variance</u>
Taxing district revenues	\$ 592,087	\$ 604,003	\$ (11,916)
Grant revenues	14,712	18,727	(4,015)
Investment income	5,736	7,938	(2,202)
Public support	14,659	3,700	10,959
Other revenues	11,772	10,512	1,260
Total revenues	<u>638,966</u>	<u>644,880</u>	<u>(5,914)</u>
Personnel expenses	276,069	280,416	(4,347)
Library materials	63,911	53,123	10,788
Telephone and utilities	13,214	12,364	850
Insurance	8,668	7,975	693
Office supplies	4,222	4,445	(223)
Programming	8,933	6,772	2,161
Public relations	3,027	1,553	1,474
Postage	1,353	973	380
Legal and accounting	16,957	13,925	3,032
Van and bookmobile operations	3,068	2,401	667
Staff education and dues	3,400	3,708	(308)
Technology	6,654	9,163	(2,509)
Other expenses	3,253	1,950	1,303
Repairs and maintenance	27,214	24,728	2,486
Capital outlay	197,799	13,233	184,566
Total expenditures	<u>637,742</u>	<u>436,729</u>	<u>201,013</u>
Change in fund balance	<u>\$ 1,224</u>	<u>\$ 208,151</u>	<u>\$ (206,927)</u>

Capital Asset Activity

There was some capital asset activity as the library has purchased a building and lot which will be renovated for use as a new 12,000 square foot library. Once renovation is completed, the current building will be sold. The current library has more than outgrown its 5,700 square feet of space, and as a result, daily operations and collection development have been drastically hampered. The library also purchased new staff computers, eight public laptops, two circulation computers, six public workstations, and one server, all of which were out of warranty. The library also purchased a replacement people counter that provides more accurate numbers.

Budget Highlights

The library operates on a zero balance budget which seeks to present all funds held by the library. The library adopts an annual budget each spring. A preliminary budget is discussed by the Director and Trustees before adopting a final budget. The budget provides framework, in conjunction with a long-range plan, to guide expenditures throughout the year. The budget is amended throughout the year if unusual or unexpected events occur. The Trustees are presented with a current month and a prior year monthly comparison, as well as a year-to-date statement at each monthly meeting.

Budget Comparison for 2016-2017

	<u>Budgeted</u> <u>Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 632,270	\$ 638,966	\$ 6,696
Employee Expenses	272,705	276,069	(3,364)
Library Materials	63,930	63,911	19
Operating Expenses	41,314	39,417	1,897
Professional Services	15,207	16,957	(1,750)
Bookmobile/Van	3,400	3,068	332
Education/Travel	3,500	3,400	100
Technology	6,800	6,654	146
Other Expenses	2,100	3,253	(1,153)
Repairs and maintenance	28,200	27,214	986
Capital outlay	195,114	197,799	(2,685)
Total Income (Loss)	<u>\$ -</u>	<u>\$ 1,224</u>	<u>\$ 1,224</u>

Economic Factors and Next Year's Budget

The library recognizes the local economy as a major factor when creating the annual budget. Property taxes remain the single largest source of revenue for the operation of the library. The library also recognizes the increased demand for library resources and services, the need to adequately fund any endeavors the library pursues, and maintaining current operations without unduly affecting the community as a whole. The budget for the 2016-17 fiscal year addressed replacement of the internet service to high-speed, as well as the increased monthly costs associated with this change. The 2017-2018 budget reflects the library's commitment to finding a solution to the overcrowding issues that have adversely influenced the library's ability to provide updated services and resources to the community.

Contacting the Library Management

The financial report is designed to provide the citizens of Estill County with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Kathy Watson or the Treasurer, Myra Finney.

Estill County Public Library
Statement of Net Position
June 30, 2017

Assets

Current Assets:

Cash and cash equivalents	\$	688,239
Accounts receivable		3,806
Investments		1,129,583
Total Current Assets		1,821,628

Fixed Assets:

Depreciable buildings, property and equipment, net of depreciation		404,483
Land		42,372
Total Fixed Assets		446,855

Total Assets	\$	2,268,483
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Liabilities and Net Position

Liabilities:

Current Liabilities:

Accounts payable	\$	4,255
Accrued taxes payable		8,309
Current portion of compensated absences		5,000
Total Current Liabilities		17,564

Long-Term Obligations:

Compensated absences		10,892
Total Long-Term Obligations		10,892

Total Liabilities		28,456
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Net Position

Invested in fixed assets		446,855
Unrestricted		1,793,172
Total Net Position		2,240,027

Total Liabilities and Net Position	\$	2,268,483
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The accompanying notes are an integral part of these financial statements.

Estill County Public Library
Statement of Activities
For The Year Ended June 30, 2017

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
				<u>Primary Government</u>
Governmental activities				
Cultural and recreations	\$ (465,867)	11,598	29,371	\$ (424,898)

General Revenues:	
Taxing district revenues	\$ 592,087
Investment income	5,736
Other Income	174
Total general revenues	<u>597,997</u>
Change in net position	173,099
Net position - beginning	<u>2,066,928</u>
Net position - ending	<u><u>\$ 2,240,027</u></u>

The accompanying notes are an integral part of these financial statements.

Estill County Public Library
Balance Sheet
Governmental Fund
June 30, 2017

	<u>Governmental Fund</u>
Assets	
Cash and cash equivalents	\$ 688,239
Accounts receivable	3,806
Investments	1,129,583
Total Assets	<u>\$ 1,821,628</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 4,255
Accrued taxes payable	8,309
Current portion of compensated absences	5,000
Total Liabilities	<u>17,564</u>
Fund Balances	
Unassigned	<u>1,804,064</u>
Total Fund Balances	<u>\$ 1,804,064</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	\$ 446,855
Certain liabilities (including net bonds and notes payable, capital leases and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	<u>(10,892)</u>
Net position of governmental activities	<u>\$ 2,240,027</u>

The accompanying notes are an integral part of these financial statements.

Estill County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2017

	Governmental Fund
Revenues	
Taxing district revenues	\$ 592,087
Grant revenues	14,712
Investment income	5,736
Public support	14,659
Other revenues	11,772
Total Revenue	638,966
Expenditures	
Current	
Personnel expenses	276,069
Library materials	63,911
Telephone and utilities	13,214
Insurance	8,668
Office supplies	4,222
Programming	8,933
Public relations	3,027
Postage	1,353
Legal and accounting	16,957
Van and bookmobile operations	3,068
Staff education and dues	3,400
Technology	6,654
Other expenses	3,253
Repairs and maintenance	27,214
Total Current Expenditures	439,943
Operating capital outlays	197,799
Total Expenditures	637,742
Net change in fund balance	1,224
Fund balance - beginning	1,802,840
Fund balance - ending	\$ 1,804,064

The accompanying notes are an integral part of these financial statements.

Estill County Public Library
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund to the Statement of Activities
 For The Year Ended June 30, 2017

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	1,224
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Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Capital Outlay		197,799
Depreciation Expense		(29,618)

Governmental Funds report expenses as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded fewer expenses than the fund accounting.

		3,694
Change in Net Position of Governmental Activities	\$	173,099

Estill County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2017

Revenues	Original Budget	Enacted Budget	Actual	Favorable (Unfavorable) Balance
Taxing district revenues	\$ 580,750	\$ 586,925	\$ 592,087	\$ 5,162
Grant revenues	15,000	14,312	14,712	400
Investment income	5,500	5,679	5,736	57
Public support	1,000	14,198	14,659	461
Other revenues	9,850	11,156	11,772	616
Total Revenue	612,100	632,270	638,966	6,696
Expenditures				
Current				
Personnel expenses	302,997	272,705	276,069	(3,364)
Library materials	75,900	63,930	63,911	19
Telephone and utilities	17,100	16,300	13,214	3,086
Insurance	8,000	8,084	8,668	(584)
Office supplies	5,000	3,430	4,222	(792)
Programming	15,000	9,000	8,933	67
Public relations	3,000	3,000	3,027	(27)
Postage	1,800	1,500	1,353	147
Legal and accounting	10,555	15,207	16,957	(1,750)
Van and bookmobile operations	11,000	3,400	3,068	332
Staff education and dues	5,000	3,500	3,400	100
Technology	12,000	6,800	6,654	146
Other expenses	2,200	2,100	3,253	(1,153)
Repairs and maintenance	39,500	28,200	27,214	986
Total Current Expenditures	509,052	437,156	439,943	(2,787)
Operating capital outlays	103,048	195,114	197,799	(2,685)
Total Expenditures	612,100	632,270	637,742	(5,472)
Net change in fund balance			1,224	
Fund balance - beginning			1,802,840	
Fund balance - ending			<u>\$ 1,804,064</u>	

The accompanying notes are an integral part of these financial statements.

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Estill County Public Library (the Library) was created in 1970 as a taxing district. This public library district was formed by the Estill County Fiscal Court pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. The public library district was created to provide all Estill County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

Basis of Presentation

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the library’s taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The Library has only one such governmental fund that accounts for the daily operating activity of the Library. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Library by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgeting

The Library follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues includes those property tax receivables expected to be collected within sixty-days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Library’s operating activities, an expense for capital outlays has been reported on the fund financial statements. The Library expenses all books and materials as purchased and does not capitalize such items.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2017 was \$29,618.

Fund Balance

As of June 30, 2017, the Library implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Library. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2017 fund balances are comprised of the following:

	<u>General Fund</u>
Unassigned	\$ 1,809,864

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Library’s categorization as of June 30, 2017 was as follows:

Category 1	\$	472,359
Category 2	\$	464,780
Category 3	\$	-

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements as of June 30, 2017 as current assets because they are available to meet current obligations. Investments consist of publicly traded bonds and notes, as well as certificates of deposit. Market values at June 30, 2017 are as follows:

<u>Type of Security</u>	<u>Cost</u>	<u>Market Value</u>	<u>Appreciation</u>
Bonds & notes	\$ 918,000	\$ 919,583	\$ 1,583
Certificates of deposit	210,000	210,000	-
	<u>\$ 1,128,000</u>	<u>\$ 1,129,583</u>	<u>\$ 1,583</u>

Fair Value Measurements

FASB issued FASB ASC 820, *Fair Value Measurements and Disclosures* in order to establish a single definition of fair value and a framework for measuring fair value in Generally Accepted Accounting Principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. FASB ASC 820 also expands disclosures about fair value measurements. FASB ASC 820 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured for fair value, but does not expand the use of fair value.

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between participants. FASB ASC 820 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 2 assets and liabilities include certificates of deposit.

Level 3 – Assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – INVESTMENTS (CONTINUED)

Fair value of assets and liabilities measured on a recurring basis at June 30, 2017 are as follows:

	<u>Fair value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Bonds & notes	\$ 919,583	\$ -	\$ 919,583	\$ -
Certificates of deposit	210,000	-	210,000	-
Total	\$ 1,129,583	\$ -	\$ 1,129,583	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>June 30, 2017</u>
Land	\$ 42,372	\$ -	\$ 42,372
Buildings	352,243	174,269	526,512
Vehicles	27,376	-	27,376
Furniture and equipment	355,133	23,530	378,663
Total at historical cost	<u>777,124</u>	<u>197,799</u>	<u>974,923</u>
Less: Accumulated Depreciation			
Buildings	232,022	10,506	242,528
Vehicles	27,376	-	27,376
Furniture and equipment	248,052	19,112	267,164
Total accumulated depreciation	<u>507,450</u>	<u>29,618</u>	<u>537,068</u>
Capital assets – net	<u>\$ 269,674</u>	<u>\$ 168,181</u>	<u>\$ 437,855</u>

NOTE 5 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

	<u>Compensated Absences</u>
Payable at June 30, 2016	\$ 14,586
Net (decrease) in compensated absences	<u>1,306</u>
Payable at June 30, 2017	<u>\$ 15,892</u>

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – COMPENSATED ABSENCES

It is the Library’s policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2017, the liability for these absences was \$15,892 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 7 – RETIREMENT PLAN

Employees of the Library are eligible to participate in a defined contribution retirement plan after a stated term of service. The Library contributes a percentage of each eligible employee’s salary to an individual retirement account. The retirement expense for the year ended June 30, 2017 was \$24,778. Such amount is listed as part of personnel costs in the financial statements.

NOTE 8 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the library also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 9 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2017 were levied on October 1, 2016 on the assessed property located in Estill County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

Vehicle taxes are collected by the County Clerk of Estill County and are due and collected in the birth month of the vehicle’s licensee.

NOTE 10 – SUBSEQUENT EVENTS

The Library purchased a site during the year at which they are considering building a new library. This is an ongoing process and more will be represented in the following year audit as the Library continues to serve it’s patrons to the best of its abilities.

Management of the Organization has considered subsequent events through October 12, 2017, the date this report became available for issuance.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Estill County Public Library
Irvine, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Estill County Public Library, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Estill County Public Library's basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Estill County Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Estill County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Estill County Public Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Estill County Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
October 12, 2017